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ABSTRACT

This Technical Committee Report on Employment begins with a discussion of trends in work and retirement, examines attitudes toward work and retirement, and describes the economic and social consequences of work. An analysis of the present situation focuses on: (1) employment barriers and opportunities; (2) cost of employment; (3) productivity and age; (4) on-the-job training; (5) flexible work arrangements; (6) policies that encourage early retirement; (7) work decisions by older persons; (8) social security; (9) employer pensions; (10) mandatory retirement; (11) health and life expectancy; and (12) unemployment. Key issues which should be addressed by the White House Conference on Aging and the public and private sectors are then enumerated in terms of principles applicable to the needs and rights of workers of all ages. The appendices contain recommendations on employment in general and on part-time employment. An executive summary of this report is also included which lists major findings, key principles, and committee recommendations. (NRB)

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WHITE HOUSE CONFERENCE ON AGING, 1981

Employment
Report and Executive Summary of the Technical Committee

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and
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Papers presented at the White House Conference on Aging, Washington, DC, November 30 - December 3, 1981.

the 1981
White House
Conference
on
Aging

Report of

Technical Committee

on

EMPLOYMENT

TCR-6

NOTE: The recommendations of this document are not recommendations of the 1981 White House Conference on Aging, or the Department of Health and Human Services. This document was prepared for the consideration of the Conference delegates. The delegates will develop their recommendations through the processes of their national meeting in late 1981.

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I. INTRODUCTION

A. Trends in Work and Retirement

Relatively few trends in the 20th century have been as distinct, consistent, and significant as the decline in labor force participation at the upper ages. The turn-of-the-century male, if he reached age 65, could expect to work well into what is now generally accepted as the normal and earned retirement years.

Two-thirds of those older men remained in the labor force beyond age 65 in 1900. By 1950, that figure had dropped to less than one-half; it currently hovers around 20 percent. Trends among older women have been less clear-cut, in large part because older female labor force participation rates have always been low. Their rates increased somewhat to over 10 percent in the 1950's and 1960's, after which they began a fairly steady decline. Currently, just over eight percent of all older females remain in the labor force.

As the representation of older persons in the labor force has declined, their prominence in the total population has increased. Persons 65 and older comprised about eight percent of the population in 1950 and about five percent of the labor force. As of 1979, eleven percent of the population but less than three percent of the labor force, were 65-plus.

A marked pattern of labor force withdrawal among men in their mid-to-late fifties and early sixties has also been evident over the past several decades, a trend that, less dramatically, characterizes men between the ages of 45 and 54. Women in their middle years, on the other hand, have entered the labor force in increasing numbers and have demonstrated a growing attachment by their increase in year-round, full-time work. The overall result has been a slight increase in labor force participation rates for persons 45-64 since 1950 -- from 62 to 66 percent. (1950-1979 labor force participation rates for middle-aged and older men and women are presented in Table 1.)

The factors that help explain these trends, some of which are discussed below, are perhaps less important than the consequences, one of which is the institutionalization of a period

of leisure in later life. The average retirement period has been increasing steadily as a result of improved longevity at the upper ages and the availablity of retirement benefits at increasingly younger ages.

TABLE 1

CIVILIAN LABOR FORCE PARTICIPATION RATES OF PERSONS 45 AND OLDER, BY SEX: ANNUAL AVERAGE, SELECTED YEARS 1950-79

	All Workers			Males			Females		
	45-54	55-64	65+	45-54	55-64	65+	45-54	55-64	65+
1950	66.4	56.7	26.7	95.8	86.9	45.8	37.9	27.0	9.7
1955	69.7	59.5	24.1	96.5	87.9	39.6	43.8	32.5	10.6
1960	72.1	60.9	20.8	95.7	86.8	33.1	49.8	37.2	10.8
1965	72.5	61.9	17.8	95.6	84.6	27.9	50.9	41.1	10.0
1970	73.5	61.8	17.0	94.2	83.0	26.8	54.4	43.0	9.7
1975	72.6	57.4	13.8	92.1	75.8	21.7	54.6	41.0	8.3
1976	72.6	56.8	13.2	91.6	74.5	20.3	55.0	41.1	8.2
1977	72.8	56.6	13.1	91.2	74.0	20.1	55.8	41.0	8.1
1978	73.6	56.6	13.4	91.3	73.5	20.5	57.1	41.4	8.4
1979	74.4	56.6	13.2	91.4	73.0	20.0	58.4	41.9	8.3

SOURCE: U.S. Department of Labor and U.S. Department of Health and Human Services, Employment and Training Report of the President, Washington, D.C.: U.S. Government Printing Office, 1980.

II. CONCEPTUAL FRAMEWORK

Largely by virture of declining birth rates, America is one of the graying nations of the world. Improvements in mortality rates, while having little impact on the age distribution of the population, have resulted in a sizable increase in the number of old and very old persons. In fact, official population projections have tended to underestimate declines in death rates among the elderly, with the result that the number of aged dependents has been exceeding even recent projections on which

retirement income and other benefit calculations have been based. 1/

As of 1978, a 65-year-old male could expect to live another 14 years, on the average; life expectancy for a female of this age was 18.4 years. Over the course of this century, improvements in life expectancy at birth and at 65 have been more dramatic among females, but both sexes are living significantly longer than they were when the passage of social security legislation introduced age 65 as the appropriate retirement age. While the potential for additional improvement is subject to numerous uncertainties, the probability is that life expectancy will continue to rise. The most recent projections from the Social Security Administration indicate, under the most plausible assumptions, that life expectancy for males and females at age 65 will have increased to 15.5 and 21.2 years, respectively, by the turn of the century. Even the more pessimistic mortality assumptions result in a life expectancy of 14.8 for males at 65 and to 19.9 for females in the year 2000.2/

The magnitude of any future support burden is highly dependent on fertility and mortality assumptions as well as on labor force participation rates. Under three alternative population paths based on varying fertility and mortality assumptions, the the age dependency ratio (i.e., the number of persons 65-plus to persons of "working age", 19-64), as computed by the Social Security Administration, is expected to increase well before the baby boom cohorts reach their early-to-middle sixties. The middle-range alternative (Alternative II) projects an increase of 29 older dependents for every 1,000 persons of working age by 2000. Should the more optimistic mortality assumptions prove correct, the older population will increase by 50 percent; the aged dependency ratio increases by 24 percent--or 47 persons for every 1000 "workers" (Table 2).

Underlying the ratios in Table 2 are two very significant assumptions, namely that everyone aged 20 to 64 is in the labor force and everyone 65 and older is not. Neither assumption was correct in 1979 and neither is likely to characterize the future. Published labor force projections from the Department of Labor, now three years old and available only through 1990, project a continuing decline in labor force participation rates among persons 65 and older, the magnitude of which depends on the growth assumption (Table 3).3/ If high growth assumptions prevail, the aged dependency ratio will decrease slightly through 1985, after which it should begin to increase. Under both the intermediate and low growth assumptions, the outlook is less optimistic, although in each case, demands to accommodate the projected increase in young and middle-aged female labor force participants may take priority over providing jobs for older workers.

Even the high growth assumption may underestimate or obscure the actual burden placed on the working-age population. To

TABLE 2

PROJECTED POPULATION 65-PLUS UNDER ALTERNATIVE MORTALITY ASSUMPTIONS, AND AGED DEPENDENCY RATION: 1980-2000

	Projected Population			Aged Dependency Ratios[a]		
	Alternative[b]			Alternative[b]		
	I	II	III	I	II	III
1980	25,935	25,941	25,952	.195	.195	.195
1985	28,679	28,865	29,222	.201	.202	.205
1985	31,573	32,126	33,193	.212	.215	.222
1990	33,573	34,597	36,583	.218	.224	.236
2000	34,436	35,998	39,056	.215	.224	.242
% increase, 1980-2000	32.8			10.3		

[a]Persons 65+ to persons 20-64.

[b]See footnote 3 for assumptions.

SOURCE: Francisco Bayo and Joseph F. Faber, United States Population Projections for OASDI Cost Estimates, 1980, U.S. Department of Health and Human Services, Social Security Administration, Office of the Actuary, June 1980.

the extent that the economy is characterized by continued rates of very high inflation, early retirement trends accelerate or even continue unabated, and mortality improvements exceed those used in social security cost estimates, the support burden in the near future may be substantially greater than now anticipated. This may necessitate raising taxes, lowering benefits, or some other remedial action. Encouraging a longer work life--while not the total solution to this problem--should alleviate some of the projected rate of increase in the demand on retirement income support systems.

A. Attitudes Toward Work and Retirement

Despite an apparent fiscal and political interest in reevaluating the linear life cycle approach to work and leisure, a pop-

ular "retirement-by-age 65" mentality remains strong. Repeated surveys reveal widespread public acceptance of the 1978 amendments to the Age Discrimination in Employment Act (ADEA) and a voluntary, longer work life.4/ A mandatory increase in the age at which retirement benefits might be collected is quite a different matter.5/ Three-fourths of a national sample of almost 3,800 adults in 1979 objected to an increase in raising the "full benefit" social security age from 65 to 68, even if that change were introduced gradually over the next 25 years or so.6/ With the exception of the under-30 respondents, who were most in favor of the proposal, age had little bearing on the responses.

These data cannot, by themselves, be interpreted to mean that few persons are interested in some type of post-retirement-age employment. On the one hand, positive attitudes toward retirement appear to be increasing. The 1978 Harris survey on attitudes toward pensions and retirement found that 54 percent of the current employees were looking forward to retirement, up from 43 percent in 1974. Almost two-thirds of the oldest respondents (5064) indicated that they were looking forward to retirement.

Interest in some type of post-retirement employment, however, was also high among the 1978 Harris survey respondents. Just over half of the sample expressed some interest in continued employment, with part-time employment the apparent preference among the options offered.

McConnell et al. also found a high degree of interest in part-time, post-retirement employment among two less diverse samples of pre-retirees.7/ (Alternative work options, such as a transfer to less demanding work, were not as popular). Of some significance, however, is their observation that "if they are unable to receive at least part of their pension, most would opt for retirement from their present job with their full pension."8/ That may be true of the Harris survey respondents, who might have interpreted the question to mean post-retirement work with pension benefits. Economist James Schulz, in testimony before the President's Commission on Pension Policy, most succinctly sums up the evidence on prolonging worklife:

> Some have argued that there is a strong desire on the part of most American workers to continue employment beyond normal retirement ages. I strongly disagree; almost all the available statistics point to a continuing push by workers, unions, and some management to seek ways of permitting retirement at earlier and earlier ages.9/

With few exceptions, the private sector has yet to come to grips with the implications of an aging population on the work force and employment policy. Firms surveyed shortly after the 1978 ADEA amendments went into effect were generally of the opinion that the amendments themselves would have little effect on em-

TABLE 3

PAST AND PROJECTED LABOR FORCE PARTICIPATION RATES,
SELECT AGE GROUPS

Sex and Age	1979 Actual	Projections: High Growth		Intermediate Growth		Low Growth	
		1985	1990	1985	1990	1985	1990
Males							
20-24	86.6	87.8	89.1	85.7	85.0	83.7	82.4
25-54	94.5	95.1	95.6	93.5	93.1	92.2	91.1
55-64	73.0	73.5	73.3	68.1	65.0	64.1	59.0
65+	20.0	19.7	18.1	16.7	15.0	11.9	9.4
Females							
20-24	69.1	79.9	85.2	76.8	80.4	73.7	75.2
25-54	62.2	70.9	76.1	68.5	72.4	65.9	69.0
55-64	41.9	41.5	41.8	40.2	39.8	38.1	36.6
65+	8.3	7.8	7.2	6.8	6.2	5.9	4.8
Aged Dependency Ratio@	0.218	0.211	0.215	0.221	0.230	0.235	0.250

@Ratio of non-labor force participants 65+ to labor force participants 20+.

SOURCE: 1979 figures from U.S. Department of Labor, Bureau of Labor Statistics, Employment and Earnings, 1980, Vol. 27, No. 1, Washington, D.C.: U.S. Government Printing Office, 1980; Projections from U.S. Department of Labor and U.S. Department of Health and Human Services, Employment and Training Report of the President, Washington, D.C.: U.S. Government Printing Office, 1980.

11

12

ployee work and retirement decisions. Introduction of programs and policies that might facilitate continued employment (e.g., phased retirement, part-time work options) were not the norm. 10/

A similar conclusion can be drawn from a 1979 survey by the Work in America Institute, whose survey of 1,300 firms generated responses of alternative and modified work options from only seven percent.11/ Substantial numbers of older workers -- particularly those 65 and above -- were not affected by these policies. The Copperman et al. report reveals that employers and personnel directors expect that inflation -- rather than the opportunity for prolonging worklife -- will be the prime factor that encourage workers to delay retirement. The slight increase in labor force participation rates of the 65-plus segment of the population evident between 1977 and 1978 (Table 1) appeared at the time to be a sign that inflation might be generating a longer attachment to labor. The increase, though small, was most pronounced among older minority men and women, presumably those most hurt by inflation. Between 1978 and 1979, however, participation rates of all older age groups fell again, even though the Consumer Price Index underwent a sharper increase than it had over the previous two years.

B. The Economic and Social Consequences of Work

Old age may be accompanied by material deprivation, especially during periods of rapid inflation. Despite the fact that social security benefits, pensions, welfare programs, occasional assistance from relatives, and assets for the fortunate few spare the majority of elderly from economic disaster, about one out of every seven older Americans is poor. Another 21 percent have incomes that are less than 1.5 times the poverty level.

As more elderly enter retirement with private pension benefits, the financial status of this group may improve, if income replacement rates are adequate to begin with, if medical or other expenses remain modest, and if inflation can be controlled. These are big ifs, especially the last one. The cost-of-living for the elderly has risen faster than that of younger persons, in large part because their expenditures are concentrated more on those items that have risen most rapidly since 1970 -- medical care, fuel, utilities, and food.12/ Although social security benefits are indexed, retirees with non-indexed private pension benefits that supplement social security will continue to experience a rapid and severe decline in purchasing power under sustained periods of high inflation.

Continued employment is the best guarantee of adequate income. The earnings of the minority of elderly who remain employed represent about 23 percent of the total income of older males, while comparable employment almost triples the median income of older females.13/

A lack of adequate pre-retirement financial counseling may be at the heart of these retirement decisions. Social security constitutes the major source of income for the current cohort of elderly persons and is likely to remain the primary source of income into the future. Older workers, however, may have an overly optimistic assessment of the adequacy of those retirement benefits. Among workers closest to retirement in the 1978 Harris survey, for example, only 22 percent maintained that they know how much they could expect to receive from social security. 14/

Although employment may provide rewards that extend beyond financial remuneration, e.g., a constructive expenditure of time and energy, a source of identification and status, opportunities for association, and meaningful life experiences,15/ such rewards apparently influence relatively few persons to delay retirement. In fact, the role that work plays in enhancing quality of life becomes substantially less important with age.16/

III. THE PRESENT SITUATION

A. Employment Barriers and Opportunities

It is one thing to encourage voluntary delayed retirement by educating older workers about the financial advantages to be derived from delayed retirement.17/ It is quite another thing to provide the opportunities and non-economic incentives that might foster a longer work life. The number and proportion of older persons employed at any time is determined both by the employment opportunities for these individuals and by the decisions of older persons to remain in or reenter the labor force. Individual decisions, as this paper demonstrates below, are influenced to a great extent by employment opportunities and policies. In addition, labor supply and retirement decisions are shown to be influenced by government programs, economic conditions, firm personnel policies, and personal characteristics. The objective of this discussion is to provide an assessment of the principal factors determining the employment of older persons and to indicate potential changes in public policies that will increase the number of older workers.

B. Cost of Employment

Firms can be viewed as assessing the costs and benefits of older persons as opposed to those of younger workers for new hiring, promotion, layoffs, and job training. These decisions determine whether firms adopt personnel policies that encourage early retirement or that accommodate the desires of older workers and provide incentives for continued employment.

Wages and earnings rise with age and job tenure for most persons

until the 50's or early 60's. Mincer describes the age earnings profiles of white non-farm men as increasing with age through much of the work life; however, the relative rate of increase in annual earnings diminishes with age and becomes negative during the last decade of working life.18/ Over the lifetime of an individual, this pattern of wage growth is explained by acquisition of new skills and the investment in human capital,19/ a process that augments worker productivity and enhances the value of the trained worker to the firm. The payment of higher wages to older workers based on differences in productivity does not imply that older workers are more costly to the firm but is instead a recognition of the value to the firm of older workers.

Wages can deviate from the value of a worker's contribution. This may happen if productivity falls in response to technological change or health declines in firms where the person's wage level and employment are protected by seniority or job tenure rules. In this case, firms will attempt to encourage older workers to quit or explicitly terminate older persons. Clearly defined job rules may result in firms delaying action until some predetermined retirement age.20/ The primary issue in this discussion is that higher wages *per se* do not give employers incentives to reduce the number of older workers. Instead, it is changes in the relationship of wage to productivity that is important to employers. Such changes may be expected or be unforeseen.

Since firms are concerned about the total cost of employment per worker, we must consider the value of fringe benefits as well as cash wages in an analysis of age-specific labor costs. For example, the price of employer-paid life insurance will likely rise with increases in the proportion of the work force composed of older workers as the probability of death rises with age. The most important fringe benefit, the cost of which is a function of age, is a pension plan. Barnow and Ehrenberg examine the current cost of funding the gain in the wealth value of pension benefits in a defined benefit lifetime average plan.21/ Table 4 shows that pension contributions as a percent of salary rise from 1.2 percent at age 35 to 8.7 percent at age 65. Thus, the cost of funding the benefits accrued at age 65 is 6.7 times as great as it is at age 35. As a result, wage differentials do not fully reflect the differences in total compensation by age.

Prior to eligibility for benefits, pension cost will continue to rise with aging even if wages are held constant. This indicates the difficulty an employer would encounter in attempting to adjust compensation to changing levels of productivity. Therefore, layoffs of older workers become more acceptable to the firm rather than reductions in compensation. This same model shows that a firm seeking to employ new workers will find it cheaper to hire a younger person if workers are equally productive and are to be paid the same cash wage. Thus, higher pension costs can explain in part the initial

TABLE 4

PENSION COSTS AS A PERCENTAGE OF ANNUAL SALARY AND TOTAL COMPENSATION, BY AGE[2]

Age	Contribution/ salary (percent)	Contribution/total compensation (percent)	Ratio of current percent in pension cost to percent at age 35
35	1.2	1.2	1.0
40	1.6	1.6	1.3
45	2.2	2.1	1.8
50	3.0	2.9	2.4
55	4.2	4.0	3.3
60	6.0	5.6	4.7
65	8.7	8.0	6.7

[a]Contributions are the current cost of fully funding accrued liabilities for the year of work. Benefits are determined assuming initial wages are $6,000; beneficiary receives 1 percent of average earnings over his entire worklife per year of employment, wages grow by 3 percent per year, age of retirement is 65, and the discount rate is 6 percent.

Source: Burt Barnow and Ronald Ehrenberg, "The Cost of Defined Benefit Pension Plan and Firm Adjustment," Quarterly Journal of Economics, November 1979, p. 532.

reluctance of employers to hire older persons.22/ Defined contribution plans in which the employer's liability is limited to a current contribution of a certain percent of salary, are not subject to these problems and, as such, should be more favorable to the employment of older persons.

C. Productivity and Age

Individuals continue to invest in the acquisition of human capital after formal schooling ends. New skills and technology are learned on the job. This process is one of the principal reasons why wages rise with age to reflect the increased productivity. The net accumulation of human capital depends on whether the new skills are outweighed by deterioration of the existing stock of a person's knowledge. In general, new investment declines with age and the rate of depreciation may rise. Thus, the importance of decrements to individual productivity depends on the extent that job experience and training offset any physiological decline and on whether peak capacity of individuals is required in the performance of their jobs.

Numerous investigations have attempted to assess the life cycle pattern of job performance or productivity.23/ Some decline in

group averages in job performance are generally observed; however, the variation in productivity within age groups often exceeds that between the cohorts. As a result, many older workers are found to be more productive than some of the younger employees. In addition, older workers offset these declines to some degree with more consistent working patterns, better job attendance and lower quit rates. After reviewing the evidence on the relationship between age and productivity a Department of Labor study in 1965 concluded that "a comprehensive review of available medical and psychological evidence reveals no support for the broad age lines that have been drawn on the basis of claimed physical requirements.24/ A more recent labor monograph based on the research of Harold L. Sheppard reiterates these findings.25/ This report argues for the development of task analysis or personnel policies to evaluate productivity of all workers so that age will not be used by firms to terminate the employment of older workers. An unanswered research question is why employers initially adopted age based personnel policies and what are the costs (if any) to society and the firms of their elimination.

Two issues should be considered along with the age-productivity relationships. First, the persons being used in the comparisons include only those still working. Thus, if less productive older persons left the labor force in response to employer personnel policies or due to self selection, these studies would not reflect the potential productivity of older persons currently outside the labor force. Therefore, the results must be used with caution in estimating the ability of all older persons to compete for employment opportunities.

The second concept is that these comparisons were made using employees in the 1960s and 1970s. Future older workers can be expected to be more productive relative to younger workers than older workers of the past. This will be true if expected health improvements are realized. In addition, past schooling decisions will result in future older workers having achieved a higher level of educational attainment than todays' older persons. Table 5 shows that median years of schooling for individuals 65 and over to persons 75 and over increased to 73 percent. Recent declines in enrollment rates imply that the relative schooling of older persons will increase over the next decade and is expected to reach 94 percent by 1990. These changes will tend to enhance the relative productivity of older persons and increase their employment prospects.

D. On the Job Training

Firms provide training to workers in hopes of creating the desired stock of skilled employees. They expect to receive returns of this investment in future years.26/ The selection of workers to receive training depends on management perceptions of the cost and returns for training each worker subject to any personnel policies such as seniority rights. Worker rights to

TABLE 5

EDUCATIONAL STATUS OF ELDERLY

Age	1970	2000[a]
	Median Years of Schooling Completed	
55-64	10.6	12.5
65-74	8.8	12.3
75+	8.5	12.1[b]
	Percent of Cohort that are High School Graduates	
55-64	40.4	71.5
65-74	29.2	61.7
75+	24.1	54.2[b]

Source: U.S. Bureau of Census, Census of Population: 1970 Subject Reports, Final Report PC(2)-5B, "Educational Attainment, "U. S. Government Printing Office, Washington, D.C., 1973, Table 1.

[a]The projections for 2000 assume that no additional education is completed after 1970 and that differential mortality rates do not influence the measures of education attainment for the cohort. Thus, the estimates may somewhat underestmiate the education attainment of these cohorts in 2000.

[b]Only population aged 75-84 is represented in these figures.

training based on seniority would tend to favor older persons, however, expectations of costs and returns may operate against offering older persons training opportunities.

Firms receive returns on their investment in the future and it may appear that younger workers have more work years remaining. The important factor to the firm is years of work with the company and not years in the labor force. Since turnover rates fall with increasing age, the greater probability of staying with the firm should improve training prospects for older persons. A supportive finding by Newsham is that older workers plan to remain with their employers longer than younger persons after training.27/

A related problem is the probability of an individual successfully completing training. Employers may select young workers for training thinking that they will be better able to complete the program because of their more recent schooling experience. Several findings tend to refute this perception. Somers found

that for unemployed workers in training programs, older men tended to complete their training more frequently than younger trainess.28/ A Department of Labor study of 2200 workers in four industries found evidence that "contradicts the notion that older cannot learn or cannot be trained. The finding implies that age, by itself, is not a reliable or useful criterion for determining the suitability of workers for training."29/

Another important comparison is the cost of hiring new employees as opposed to the cost of retraining older workers. Cost of hiring new employees include costs of interviewing and recruiting, testing, adding to payroll and benefit rolls, moving and training the new worker.30/ The greater these costs the more likely firms will be to retain current workers. It is important to remember that the costs and benefits of investment decisions will vary widely across companies. This diversity will result in some firms actively seeking to maintain their older workers, while others select policies that exclude them from training programs.

E. Flexible Work Arrangements

Firms determine the desired length of the normal workweek within a framework of employment costs, worker preferences and government regulations. The existence of hiring and training costs provide incentives for firms to establish longer workweeks. Start up cost, administrative time for scheduling, and team production are also important to the firm's choice of the normal work-week. Increased hours of work reduce the cost of man-hours of work relative to hiring more workers at shorter hours. The tendency toward longer hours of work is offset by overtime premiums, declining productivity due to fatigue, and increases in employee's desire for some leisure time.31/

Government tax policies that encourage fringe benefits may increase the firm-desired length of the workweek if these benefits are related to the workers being on the job and are not an hourly cost. Payroll taxes that have an earnings ceiling also make it cheaper to use long hours by current workers rather than expanding employment.32/ These private and public costs related to the employment of workers make it unlikely that employers will allow their workers to freely select the number of hours they wish to be on the job.

Expressed interest in phased retirement or part-time employment with pension benefits upon reaching retirement age suggest that the Swedish partial pension scheme might be the model most acceptable to the current cohort of older workers. Introduced in 1976, this scheme enables workers between the age of 60 and 64 to reduce their work hours significantly and receive wages from work, as well as a substantial portion of the pension they would eventually receive had they not selected this route to retirement. Evaluation of the program reveals a high degree

of satisfaction on the part of partial pensioners, no doubt because of the high income replacement rate: 62 percent of the partial pensioners had not noticed any difference in their standard of living.33/ The partial pension scheme is, however, expensive, and it is questionable whether such a program without modification, could be introduced in the United States.

These costs are at the heart of the current debate on work sharing or attempts to reduce hours to create jobs.34/ A fixed length of the workweek may also play an important role in retirement decisions. Older workers may wish gradually to reduce hours of work as they age; however, if they are faced with the prospect of continuing to work a full workweek, they may choose to leave the labor force completely. Of course, the other option would be to seek a part-time job from those firms that do offer employment at reduced hours. Wage offers, however, are likely to be substantially below the wage per hour that the older person received on their career job and may thus discourage these employees from accepting part-time employment. Moreover, the pool of available part-time jobs appears insufficient to meet the demand for such work expressed by pre-retirees, further discouraging efforts to seek such employment. Increased flexibility in hours of work might tend to decrease the retirement rate. Current rigidity in work scheduling stems from economic factors in the production and hiring processes and from the tax and regulatory policies of the government.

F. Policies Encouraging Early Retirement

Many employers have adopted a series of personnel policies that encourage older workers to leave their jobs. Key pension characteristics determine the gain in the value of retirement benefits from continued work. It can be shown that the gain in the discounted value of lifetime pension benefits falls after a person is eligible for full benefits in most defined benefit plans, even if workers continue to accrue benefit credits by working past the normal retirement age. This result is due to the increasing value of benefits given up by working relative to the gain in future benefits. Table 6 shows this result for an earnings formula defined benefit plan for a male worker who has 15 years of credited service and is eligible for full benefits at age 60. Column 4 shows that pension wealth actually falls with continued work after age 64. For example, in this model the worker receives a benefit of $1,744 per year if he retires at age 64. If he works at age 64 his benefit rises to $1,886 the next year; however, the value of the benefit given up ($1,744) exceeds the discounted value of the gain annual benefits ($142 per year) over the remainder of the person's life ($1,623).

It is easily illustrated that non-actuarially reduced early retirement benefits will further encourage employees to retire at early ages. This is also true of special early retirement

TABLE 6

INCREASE IN THE PRESENT VALUE OF PENSION
PENSION BENEFITS FROM AN EXTRA YEAR OF WORK[a]

(1) Age	(2) Present Value of Higher Benefit Working at Various Ages	(3) Value of Benefit Not Taken Due to Work	(4) Change in Present Value of Benefits From Working
60	1,548	1,321	318
61	1,571	1,350	221
62	1,591	1,475	115
63	1,608	1,607	2
64	1,623	1,744	-121
65	1,634	1,886	-252
66	1,643	2,035	-392
67	1,650	2,190	-540
68	1,654	2,351	-698
69	1,655	2,519	-864

[a]Benefit is derived from a 5 year averaging period where real wages are growing at three percent per year and there is no inflation. Worker was initially hired at an annual salary of $6,000.

Source: Robert Clark and Ann McDermed, "Inflation, Pension Benefits and Retirement," unpublished paper, North Carolina State University, 1980, p.11.

bonuses and the refusal to consider service past the normal retirement age.35/ Firms can clearly change the incentives for older persons to remain with the firm by altering their pension plans. One might suspect that firms that are now precluded from forcing workers to retire with mandatory retirement policies will attempt to entice them to leave by modifying their pension plans.

G. Work Decisions By Older Persons

Labor supply decisions of older persons are influenced by the availability of retirement income, market wage rates, pension and social security characteristics, personal factors, and labor market opportunities.36/ These factors determine the value of continued work relative to the individual's desire for retirement. In the following pages, the qualitative effects of these factors are described and existing empirical research on retirement decisions is reviewed.

H. Social Security

Labor force participation may be affected by current eligibi-

lity for benefits, the amount of benefits, and how the system alters the gain from continued employment through the earnings test and the recomputation of future benefits.

Access to retirement benefits increases the likelihood that older persons will withdraw from the labor force.

Between 1940 and 1979, significant drops in the participation occurred at age 65, the age of full social security benefits. In addition, the decline between ages 61 and 62 for men has increased from less than two percentage points prior to the introduction of early retirement benefits to more than ten percentage points in 1979. (Tables 7 and 8).

These data contain the effects of pension and mandatory retirement variables which also use age 65 as an important factor governing the treatment of older persons. Several studies hold these other factors constant in multiple regression analysis and still find that eligibility for social security significantly increases the probability of retirement.37/ This indicates that policy changes altering the age of eligibility will influence retirement decisions even if the discounted value of benefits is held constant. Increases in social security benefits or in the replacement rate will increase the probability that older workers will retire. This finding is stronger for persons over age 65 than for early retirees.38/

A third effect of social security is that it alters the net wage for continued employment. If a worker is receiving benefits, the earnings test reduces benefits by one dollar for every two dollars of earnings in excess of the exempt amount, $5,500 in 1981. With the earnings test, many older workers will face an effective federal tax rate, including income and payroll taxes and the earnings test, of over 70 percent. A marginal tax rate of this level can be expected to reduce the labor supply of older workers. Offsetting these tax rates is the potential increase in future social security benefits due to continued earnings. Continued employment may alter the earnings history used to calculate benefits thereby raising future benefits. In addition, for each month benefits are reduced due to the earnings test, workers receive a 5/9 of one percent increase in benefits at age 65. Delayed benefits after age 65 have a smaller effect. The increase in future benefits from working may act as an inducement to continue on the job. Recent evidence indicates that the recalculation of benefits and the actuarial increases may be sufficient to offset the earnings test prior to age 65.39/ After 65 incentives to postpone receipt of benefits are not as large since benefits are increased by only 1/4 of one percent per month.

I. Employer Pensions

Pension benefits and other pension characteristics may alter individual retirement decisions. The availability and size

TABLE 7

AGE AND LABOR FORCE PARTICIPATION
OF OLDER MEN, 1940 to 1979

Male Labor Force Participation Rate (In percent)

Age	1940	1950	1960	1970	1979
55	89.5	87.8	89.9	88.9	85.9
56	89.1	87.8	89.0	88.3	84.2
57	87.8	86.7	87.8	86.7	81.8
58	86.9	86.1	86.7	85.8	80.3
59	85.6	85.1	85.1	83.7	78.8
60	81.9	82.1	83.2	81.3	73.5
61	81.4	81.4	80.7	79.2	70.3
62	79.7	80.0	78.6	72.7	60.1
63	76.9	77.6	75.7	67.5	53.7
64	74.4	75.2	70.0	63.1	49.4
65	66.9	67.7	53.6	47.1	36.9
66	62.0	62.9	45.9	41.9	31.6
67	57.8	58.2	41.9	38.6	26.2
68	54.9	54.2	39.5	35.4	26.3
69	51.4	51.2	36.6	31.5	24.8
70	44.0	44.5	33.2	26.9	23.7
71	40.8	42.0	29.0	24.6	20.2
72	37.4	39.0	27.8	22.1	17.8
73	34.5	34.0	26.9	19.8	19.1
74	31.4	30.8	25.1	17.4	15.8
75 and over	18.2	18.7	15.6	12.1	8.7

Source: U.S. Bureau of the Census, Census of Population, 1970 PC(2) 6A, (1973, pp. 31-32), and unpublished data from the Department of Labor.

TABLE 8

AGE AND LABOR FORCE PARTICIPATION
OF OLDER WOMEN, 1940 to 1979

Age	Female Labor Force Participation Rate (In percent)				
	1940	1950	1960	1970	1979
55	19.9	27.9	42.5	49.6	51.6
56	19.2	26.7	40.7	48.7	50.7
57	18.0	25.4	39.7	48.0	49.2
58	17.7	24.8	38.6	46.5	46.2
59	17.4	24.1	37.0	45.1	45.5
60	16.8	23.1	34.7	42.9	42.3
61	15.3	21.0	32.1	40.2	39.7
62	14.9	20.9	29.3	35.9	33.4
63	13.8	19.1	26.1	32.6	27.7
64	12.4	18.0	24.3	29.3	25.4
65	12.0	16.3	20.3	22.0	20.7
66	9.6	13.4	17.6	18.8	17.5
67	8.9	12.2	16.2	17.0	13.4
68	8.2	11.4	14.6	14.7	11.9
69	7.5	10.1	13.2	12.9	11.9
70	6.3	8.1	11.7	11.1	9.1
71	5.4	6.7	10.2	9.8	8.2
72	5.2	6.0	9.0	9.1	6.3
73	4.0	5.4	8.8	7.8	7.0
74	3.9	5.0	7.5	7.1	6.1
75 and over	2.3	2.6	4.3	4.7	2.7

Source: U.S. Bureau of the Census, Census of Population, 1970 PC(2)-6A, (1973, pp. 31-32), and unpublished data from the Department of Labor.

of pension benefits have consistently been found to be significant factors influencing labor supply of older persons. Barfield and Morgan, Barfield and Parnes et. al. find evidence for a threshold effect of pension income.40/ This effect implies that retirement probabilities rise significantly after a threshold level of income is obtained. In summary, Barfield reports that "for the great majority of the sample, only one variable--the postretirement/ preretirement income ratio--was found influential...the average propensity-to retire score rising smoothly and swiftly across the five groups."41/ All research findings support the hypothesis that pension eligibility and higher levels of benefits lead to earlier retirement. Tabular data from the Retirement History Survey indicates an eight percentage point lower participation rate for persons aged 62 to 65 covered by an employer pension.42/ Multiple regression studies confirm this result holding other determinants of retirement constant.43/

The parameters of the pension plan alter the net compensation from continued employment. Earlier, these characteristics were examined in the discussion of firm personnel policies that encourage early retirement. Burkhauser shows that the present value gain in pension benefits from continued employment is an important determinant.44/ Thus, the existence of early retirement options, reduced gain in benfits from continued work, and nonaccrual of benefit credits after the normal retirement age will tend to increase the probability of retirement.

J. Mandatory Retirement

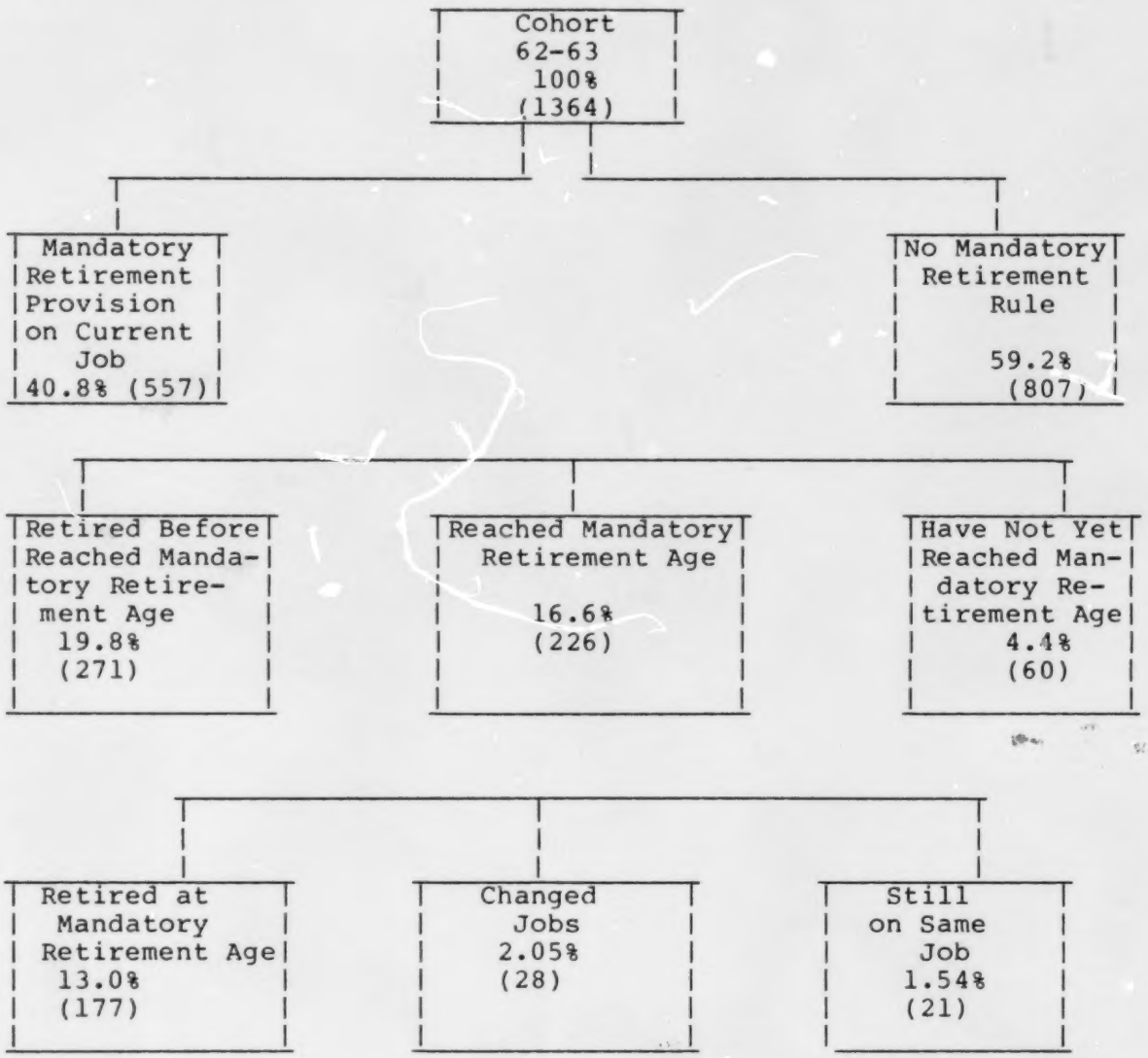
Some firms have adopted personnel policies that require workers to terminate their employment with the company at a specific age. In the private sector, age 65 was the most frequently used age prior to the 1978 Amendments to the Age Discrimination in Employment Act. These amendments preclude the adoption of forced retirement prior to age 70 in most jobs.

Several studies have attempted to estimate the effect of these amendments using data from around 1970.45/ These studies have typically found that mandatory retirement was not a major constraint on the labor force participation of older persons. This is attributable to several factors. First, only about 40 percent of the private labor force was covered by compulsory retirement provisions. Second, many people retired prior to the age of mandatory retirement. Using data from the Retirement History Survey, Figure 1 indicates these two points. Of the respondents age 62-63, only 40.8 percent faced mandatory retirement. Almost half of these (19.8 percent of the total) retired before reaching the age of mandatory retirement.

An additional problem in investigating the independent effect of mandatory retirement is that these requirements are usually

Figure 1

The Incidence of Mandatory Retirement in A Cohort of White Male Wage Earners



Source: Retirement History Survey (1969-1973) data tapes. This Table describes the incidence of mandatory retirement and the retirement patterns of white male wage earners who were 62-63 in 1969. Sample sizes are in parentheses.

found in firms that also provide pensions. A 1961 survey of firms employing 50 or more workers showed that those companies without pensions rarely had compulsory retirement provisions, while only 25 percent of the employers with pension systems did not have mandatory retirement clauses.46/ Data from the 1971 wave of the Retirement History Survey and the 1969 survey of Newly Entitled Beneficiaries are consistent with this finding. 47/

Multiple regression studies that attempt to hold pension factors constant find that mandatory retirement provisions in effect in the 1960's probably reduced the labor force participation rate at age 65 by approximately 5 percentage points.48/ By implication, these studies suggest that the total elimination of compulsory retirement would increase the number of older persons in the labor force by only a small amount.

K. Health and Life Expectancy

Health impairments may reduce an individual's market productivity and, therefore, lower the wage that he is offered. In addition, adverse health status can be expected to increase a person's desire for time away from work. The probable result is that fewer persons with health limitations will be in the labor force. Virtually all research studies conclude that health is a major determinant of individual retirement decisions.

Examination of a series of surveys by the Social Security Administration has indicated that poor health is a primary reason given by individuals for retirement.49/ This result is also found in the Survey of Newly Entitled Beneficiaries 50/ and the Retirement History Survey.51/ Parnes, et al. use multiple classifications and conclude that health related limitations were a primary determinant of early retirement.52/ Multiple regression analysis on the Retirement History Survey data leads Quinn to conclude that, "the existence of a health condition limiting the amount or kind of work is the dominant explanation of retirement status."53/

Health related retirement decisions are made in light of access to disability benefits. Several studies indicate that the development of the disability insurance program has significantly reduced the labor force participation rate of persons prior to age 65.54/ Increases in the disability benefit and expansion in coverage will tend to decrease market work.

L. Unemployment

Unemployed workers will leave the labor force if employment prospects discourage continued search in the labor market. Since the gains from search are greater the longer the expected duration of employment, older workers are more likely to become discouraged and leave the labor market. Bowen and Finegan and

Cain find that older and younger workers are more likely to leave the labor force when the unemployment rate rises.55/ Rosenblum finds supporting evidence that workers 55 and over have the highest rate of discouraged workers of any age group. 56/

The response of older workers to changes in unemployment does not appear to be symmetrical. The decision to retire from one's job is often irreversible and "relatively few older workers who lose their jobs and drop out of the labor force during a prolonged recession are likely to re-enter the labor market several years later."57/ Older workers who are laid off may remain unemployed awaiting the age of eligibility for pension benefits. After achieving this age, they accept benefits and retire rather than continuing to search.

IV. KEY ISSUES AND OPTIONS

The foregoing report suggests a number of key issues which should be considered and addressed by the White House Conference on Aging and the public and private sectors. These issues, in turn, identify some important areas in which our society should consider and adopt appropriate policies designed to enhance employment opportunities for all workers, but especially mature persons. In identifying these key issues, the Technical Committee on Employment suggests that there is no "older worker problem" facing American society. There is no "retirement income crisis" facing us demanding a crisis response. Rather, in the face of important changes in the makeup of our labor force, demographic shifts, longevity trends, technological and productivity changes, and adjustments in the complementary roles of government and the private market, there is a constant need to reconsider and recast policies which can adequately address the need for an efficient, age-neutral labor market and an equitable income and tax structure for American citizens, young and old, working and retired. Whatever the "laws" of the marketplace, economic systems must, in the end, serve the interests of the total society.

As we witness the "graying of working America" we should recognize that public policy and private practice will have to respond to these developments within the bounds of social and economic justice and sound and prudent judgment.

1. Consideration of changes in Social Security benefits and entitlements should be conducted within a broad context of data including the positive potentials of a national policy on extended worklife, the trend of collective bargaining, the linkage of private and public pension systems to Social Security provisions, the adequacy of disability benefits and the projected state of the U.S. economy, among other factors. Firmly mandating hard and fast rules on Social Security benefits which will take

affect in two decades or more may not be appropriate. Over the next ten years, important and profound changes in the labor force participation levels of mature persons are possible, especially if encouraged by a dynamic national policy on extended worklife. Long-term changes in Social Security provisions should therefore be marked by comprehensiveness, flexibility and prudence with an alert eye cocked to labor market changes.

2. Decisions to extend or terminate worklife made by employers and workers are often required by such factors as health status, local or area employment conditions, family needs and physical and psychological capabilities. Public policy controls these factors only marginally or not at all. Other, sometimes more salient, factors such as tax policy, productivity measures, fringe and salary cost, discriminatory practices involving age, sex, and race, the relative adequacy of Social Security or other retirement income resources in the face of inflation and longevity and the availability and attractiveness of part-time, sporadic or other flexible work arrangements can be directly affected by public policy.

3. The adequacy, accuracy and availability of labor force information on the mature worker affects both individual worker and employer decisions and actions. Many preretirement assistance programs are deficient in the provision of accurate information on the long-term adequacy of retirement income resources or the availability and advantages of employment options "after retirement". Employers may not have accurate information on productivity variables associated with various age groups in their work forces nor the true costs associated with the employment and/or retention of younger or older workers. Neither employers nor workers have available for their use creditable, age-neutral occupational performance appraisal tools or personal functional capacity measures. Both government and the private market might consider the support of major research and information dissemination in these and related areas.

4. Extended worklife goals, if adopted by American society, will be achieved through the collaborative efforts of the public and private sectors. Governmental efforts and standards will retain roles in such areas as employment discrimination, research support, the maintenance of support for employment programs such as the Senior Community Aide Program, the coordination of retirement income standards with employment objectives and the adoption of tax policies which will enhance extended worklife. However, the private market will continue to retain the more important role within the American economy. Private employment policies, including collective bargaining provisions, will set the pace for extended worklife in

the coming decades. The quality and kind of continued collaboration in this area is the prime challenge to employers, unions, government officials and organizations and individuals concerned with full and extended work opportunities for mature persons. Such collaboration will require planning, the free exchange of information and some level of agreement on goals, standards and efficient methods to accomplish such goals and standards.

V. KEY PRINCIPLES

The Technical Committee on Employment, in the development of its recommendations included in this report, considered and adopted key principles and values which it believes are directly applicable to the needs and rights of workers of all ages seeking both the opportunity to make a living and the ability to make useful contribution to society through work. These principles arise from the Committee's consideration and study of the employment situation facing older workers and its perception of appropriate legal, ethical and social contexts in which to pursue the accomplishment of its recommendations.

1. An economic system exists for the members of the society; not the reverse.

2. Economic productivity is enhanced by age-neutral employment practices.

3. Decisions to work or retire should not be constrained by chronological age factors; the right to extend one's worklife to later years or to decide to not work is a civil right.

4. Collective bargaining has a vital function in the development and execution of a national policy on older workers.

5. National, state and local governments should participate fully in the development of a national policy through such actions as prohibiting mandatory retirement, promoting and financing middle-aged and older worker training and employment programs and in designing Social Security and public retirement programs to complement and extend worklife.

6. Employers have the right to expect competent job performance from workers of all ages.

7. American society must continually reassess national retirement and employment policies reflecting changing demographic, technological, social and economic developments within the context of the principles of social and economic

justice. Such assessments should be the result of collaborative efforts of the public and the private sectors.

VI. RECOMMENDATIONS

The Technical Committee on Employment believes that this nation should fashion an economy and a labor market policy which is age-neutral and which efficiently, creatively, humanely, and equitably utilizes the skills, energies and work attitudes of older workers. Such a policy should involve implementation by both the public and private sectors. While the policy should be consistent with the economic realities of the coming decades, it should be equally consistent with the goals of equity and justice and include a vision of an American society which is age-neutral in work places as well as in our homes, our communities and institutions. Specifically, the Committee recommends:

1. The Federal Government, in cooperation with state and local governments and the private sector, should immediately initiate a comprehensive review of public tax policies to eliminate barriers to employment and to encourage wider employment opportunities for older persons.

2. The Age Discrimination in Employment Act and related laws should be amended to provide for full actuarial adjustments of private pension plans and full employer contributions for fringe benefits for persons who work beyond a pension's normal retirement age or beyond age 65. There should be no differential in employer benefit contributions based on age.

3. Management and labor--through collective bargaining--should support increased opportunities for flexible work arrangements such as part-time work with proportional fringe benefits, shared jobs, educational benefits to train for second careers and other accomodations which extend worklife for older workers. The Congress should amend the National Labor Relations Act to include extended worklife as a goal of collective bargaining.

4. The Comprehensive Employment and Training Act (CETA) and other publicly supported training, vocational education and manpower programs and services, including the U.S. Employment Service, should be held specifically accountable by the Congress by the year 1983 for equitable assistance to all age groups or face sanctions. At the same time the Title V (Older Americans Act as amended), Senior Community Employment Program should be supported and expanded having proven its utility and flexibility in employing the skills and energies of thousands of older citizens, especially minority and low income older

persons.

5. The federal government and the private sector promptly should undertake a major research and dissemination effort to accomplish the following objectives by 1985:

   a. Develop, test and implement a utilization strategy for age-neutral occupational performance appraisal tools and corresponding personal functional capacity measures for application to a wide range of current and expanding occupational categories.

   b. Investigate the comparative costs and productivity of various age groups in diverse jobs in the work force, including better methods of assessing the value of mature skills.

   c. Gather and synthesize facts related to the skills, experience, attitudes and productivity of middle-aged and older workers and disseminate such facts to employers and widely to the general public through the media.

6. Middle-aged and older workers should be encouraged and assisted to prepare to enter new careers especially when unemployed or facing unemployment in declining industries or occupations. A "Second Career Sabbatical" could be financed through changes in unemployment insurance statutes and targeted to persons 45 and older to provide for up to a year of full-time education and retraining. Other arrangements could involve part-time work together with unemployment insurance payments or cash advances against future pension entitlements for employed persons. To be successful, the program will require strong collective bargaining support, widespread participation by schools and colleges, and, probably, support through a governmentally related transitional employment program.

VII. CONCLUSION

The Committee recognizes that the policy called for here is a framework within which programs can be developed that are mutually supportive of widening employment opportunities for all Americans. We believe that with appropriate fiscal, monetary and productivity conditions the marketplace can provide nearly all the necessary jobs for those who desire to work but that the government has an obligation to be an "employer of last resort" if that marketplace does not provide the jobs needed. With countless socially valuable services to be rendered and with thousands of willing and competent workers available, these needs and resources can be brought together, the economy strengthened, and individuals with time, energy, skill, experience, and a willingness to continue to be of service can be gainfully employed. To do less is to miss a tremendous opportunity--for one and for all.

NOTES

[1] See, for example, Francisco Bayo and Joseph F. Faber, United States Population for OASDI Cost Estimates 1980, U. S. Department of Health and Human Services, Social Security Administration, Office of the Actuary, Actuarial Study No. 82, 1980, p. 48; Harold L. Sheppard and Sara E. Rix, The Graying of Working America, New York: Free Press, 1977; Sara E. Rix, and Jeff Claire, The Future of Retirement-Age Policy in the United States, Washington, D.C.: American Institutes for Research, 1981.

[2] Francisco Bayo and Joseph F. Faber, op. cit.

[3] Alternatives I, II, and III assume fertility ultimate rates of 2.5, 2.1, and 1.5, respectively. Regarding mortality, for Alternative II it was assumed that, "For the period 1985-2000... average annual improvements in the age-adjusted death rate by sex and cause of death would be equal to the average of the average annual age-adjusted improvements for 1985-2000 and for 2000-2080 by age according to patterns observed in the graduated average annual improvements for 1969-1977" (Bayo and Faber, 1980). Alternative I assumes half the mortality improvement, and Alternative III assumes twice the improvement.

[4] U.S. Department of Labor and U.S. Department of Health and Human Services, Employment and Training Report of the President, Washington, D.C.: U.S. Government Printing Office, 1980.

[5] See, for example, Louis Harris and Associates, Attitudes Toward Pensions and Retirement, Hearing before the Select Committee on Aging, House of Representatives, February 28, 1979, Washington, D.C.: U.S. Government Printing Office, 1979; Peter D. Hart Research Associates, A Nationwide Survey of Attitudes Toward Social Security, Report prepared for the National Commission on Social Security, Washington, D.C., 1980.

[6] American Council of Life Insurance, Map '79: Monitoring the Attitudes of the Public, Washington, D.C.: American Council of Life Insurance, 1979.

[7] Stephen R. McConnell, Dorothy Fleisher, Carolyn E. Usher, and Barbara Hade Kaplan, Alternative Work Options for Older Workers: A Feasibility Study, Los Angeles, California: University of Southern California, Ethel Percy Andrus Gerontology Center, 1980.

[8] Ibid, p. 231

[9] James H. Schulz, Assessing the Adequacy of Pension Income, Testimony Before the President's Commission on Pension Policy, Washington, D.C.: January 11, 1980.

[10] Lois Copperman, Douglas Montgomery, and Fred Keast, The Impact

of the Age Discrimination in Employment Act Amendments of 1978 on the Private Business Community, Portland, Oregon: University of Oregon, Institute on Aging, 1979.

[11] Work in America Institute, The Future of Older Workers in America, Scarsdale, New York: The Work in America Institute, Inc., 1979. Although the non-response rate was extremely high, it is unlikely that more "success" stories would have been generated by a follow-up of the non-respondents. Presumably, firms with positive policies would want to promote that fact.

[12] Data Resources, Inc., Inflation on the Elderly, Summary Report, Part 1, Lexington, Massachusetts: Data Resources, Inc., January 1980.

[13] Schulz, op. cit.

[14] Harris, op. cit.

[15] Eugene A. Friedman and Robert Havighurst, The Meaning of Work and Retirement, Chicago: University of Chicago Press, 1954.

[16] John Flanagan, Identifying Opportunities for Improving the Quality of Life of Older Age Groups, Palo Alto, California: American Institutes for Research, 1979.

[17] These include (1) additional years at full salary, (2) possibly larger retirement benefits if the higher wages of these additional years are entered into benefits calculations and if, in the case of private pension, employers continue to make pension contributions for the older worker, and (3) as of 1982, a three percent increase in social security benefits each year for which retirement is postponed through age 70.

[18] Jacob Mincer, Schooling, Experience, and Earnings, New York: NEBER, 1974, pp. 65-70.

[19] For a human captial analysis of the life-cycle pattern of wages, see Gary Becker, Human Capital, New York: NEBER, 1975, second edition; Mincer, Schooling, Experience and Earnings..; and Sherwin Rosen, "Human Capital: A Survey of Empirical Research," in Ronald Ehrenber (ed.), Research in Labor Economics, vol. 1, Greenwich, CT: JAI Press, 1977, pp. 3-39.

[20] Edward Lazear, "Why Is There Mandatory Retirement?" Journal of Political Economy, December 1979, pp. 1261-84.

[21] Burt Barnow and Ronald Ehrenberg, "The Costs of Defined Benefit Pension Plans and Firm Adjustments," Quarterly Journal of Economics, November 1979, pp. 523-40.

[22] Barnow and Ehrenberg argue that it is impossible to create age-neutral defined benefit pensions along the lines suggested by

James Schulz, "The Need for Age-Neutral Private Pensions," Industrial Gerontology, Fall 1975, pp. 255-64.

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APPENDIX

Recommendations on Employment

Federal Council on Aging

Adopted: June, 1980

RECOMMENDATIONS ADOPTED BY THE FEDERAL COUNCIL ON THE AGING

1. Age Discrimination in Employment

1-A. The Equal Employment Opportunity Commission (EEOC) should change the current set of regulations on ADEA which permit employers to not credit years of service beyond age 65 in calculating a worker's final retirement benefit.

1-B. Congress should remove the provision in ADEA (P.L. 95-256, 92 Stat. 189, 1978) which permits employers to refuse to hire or to terminate a worker if age, of itself, can be shown to be a bona fide occupational qualification (BFOQ) essential for the performance of a special job.

1-C. The Department of Labor, pursuant to the mandates of the ADEA, should develop and implement, in collaboration with other appropriate federal agencies, a specific research, training, and information dissemination program directed at employers in order to highlight the skills and experience that middle-aged and older workers possess.

1-D. The mandatory retirement limit, set at age 70 in the 1978 amendments to the ADEA, should be abolished.

2. Employment Programs

2-A. The Department of Labor should direct regional administrators and local prime sponsors to comply with the specific CETA planning requirements, outlined under Titles I and II of the Act, directing that a special labor force analysis be completed on older workers and other targeted groups. The results of the analyses are to be used in formulating special service programs for these groups. Specifically, the Department of Labor should carry out appropriate procedures, including regional and local oversight hearings, if necessary, to assure compliance with the Age Discrimination Act (ADA) of 1975, as amended--especially as this statute applies to all CETA training programs.

2-B. Federal regulations which exclude workers from participating in apprenticeship programs funded by the U.S. government solely on the basis of age should be abolished.

2-C. The Department of Labor should allocate at least $10 million in FY 1981 to implement the Middle Aged and Older Workers Program described in Title III, Section 308, of the 1978 CETA amendments.

2-D. The Department of Labor should design and put into effect a national older workers program as required by statute.

2-E. The Senior Community Service Employment Program under Title V of the Older Americans Act should be expanded on the basis of:

- An assessment of the proportion of workers in need of the program over the next five years; and

- An assessment of the impact and effectiveness of the program in terms of benefits to participants, services to agencies and people served, and the overall benefit to the economy and the government.

3. New Employment Opportunities

3-A. The Department of Labor should develop an affirmative action program for middle-aged and older workers to assure that these individuals gain access to jobs made available through federal contracts to major employers in the U.S.

3-B. Congress should establish a special unemployment insurance and job retraining program for middle-aged and older workers to enable them to remain in or reenter the labor force when economic pressures force them to withdraw from the labor force involuntarily.

3-C. Congress should establish a retirement alternative employment program which would:

- Provide workers with incentives to defer retirement; and

- Provide employers with incentives to develop retention options for older employees.

3-D. The Departments of Commerce, Agriculture and Labor should collaborate with the Small Business Administration and the Administration on Aging to develop and assess economic impact programs which will identify entrepreneurial, job and other self-employment opportunities for middle-aged and older workers.

4. Retirement Policies

National retirement policy, as manifested through the Social Security system and regulatory laws affecting pensions, should be reassessed with a view toward encouraging continued, varied and nontraditional employment opportunities for middle-aged and older workers.

APPENDIX II

Part-time Employment Recommendations

Association of Part-time Professionals, Inc.

Alexandria, VA.

December, 1980

WHY PART-TIME EMPLOYMENT SHOULD BE PART OF NATIONAL MANPOWER POLICY FOR OLDER WORKERS

Experience indicates that a large majority of older workers* desire part-time employment. This choice is preferred when contrasted with full-time or no employment. Individuals in the age group 55 - 75 need to be considered as young - older Americans, whose needs differ substantially from the elderly old.

Already-retired individuals return to the labor market for two basic reasons: (1) The income on which they based retirement decisions turned out to be inadequate; and (2) Lack of planning for retirement results in unhappiness with being at home.

WHAT IS PART TIME

Individuals express preferences for working less than full time with two kinds of schedules: (1) Working every week less than a standard work week; and (2) Working full time for a few months during the year.

BENEFITS OF PART TIME

Part-time work benefits older workers, employers, and society in general.

Benefits to older workers

The following benefits are contrasted with the absence of paid employment because so many prospective workers indicate that they prefer not to work full time:

(1) An income supplement;

(2) Phasing retirement

Retiring abruptly can cause severe readjustments in lifestlye. It is difficult to have one's life programmed from 9 - 5 for 40 years only to wake up on a Monday morning with nothing but leisure. Cutting back on hours, while keeping all one's social contacts in place, makes it possible to develop practice at dealing effectively with increased leisure hours;

*Older workers, in this context, refers to individuals 55 - 75 years of age.

(3) Mental health

(a) Retaining self-esteem

One of the first questions we ask each other upon meeting a new person is, "What do you do?" We usually mean what kind of paid employment do you have; it is an uncomfortable shock to many people to say, "I'm retired." The expression seems to connote doing nothing, being unproductive, and living off others in the society. It turns out to be a great boom to self-esteem to be able to actually contribute to the production of goods and services in the economy.

(b) Maintaining social contacts

People keep up their social contacts through the workplace. It is a frequent meeting ground and place where acquaintanceships ripen into friendship. It is distinctly less possible to be socially isolated (though not impossible) if one works.

(c) Achieving intergenerational contact

Organizations tend to have employees of varying ages and is one of the more common places for the young and old to meet. For the most part our housing, recreational, and social patterns are age segregated;

(4) New employment and/or career options

Workers may retire not because they do not like working, but because they no longer derive satisfaction from the particular occupation, job or organization which employed them. Part-time employment offers the opportunity to explore different possibilities;

(5) Maintaining good physical health

Good physical health requires a level of activity and a reason to get up in the morning. Part-time employment is one answer to both of these needs.

Benefits to Employers

The benefits which employers achieve by retaining older workers on a part-time basis are separable into two categories - qualities of older workers and advantages to employers of part-time employees.

Recognized positive qualities of older workers

(1) Older workers, by definition, are experienced, trained employees. Continuing to utilize their skills in training new employees eliminates disruptions caused when "corporate memories" leave the organization;

(2) Older workers have attendance records equal to, or better than, other employees;

(3) Older workers are recognized as more reliable and dependable, and they take their jobs more seriously.

Identified benefits of part-time workers

(1) Recruiting workers who would otherwise not be in the labor force;

(2) Higher productivity when compared to full time workers;

(3) Reduced turnover and/or absenteeism. When employees can schedule personal business around work time, they do not use leave time in the conduct of personal affairs;

(4) Covering relief schedules of full time employees;

(5) Extending organizations' hours of service;

(6) Reduced employee burnout in stressful occupations;

(7) Lower accident record of part-time workers;

(8) Coping better with boring or monotonous tasks.

Benefits to Society in General

(1) People who choose work over no work will increase contributions to the social security fund, and to federal and state income tax programs, thereby increasing government revenues;

(2) Since older workers will have more discretionary income, there will be an increased demand for the goods and services supplied by the private sector. It is important to remember that the labor force can increase in number without detriment to any group. In a growing labor force, if one person becomes employed someone else does not become unemployed;

(3) Productivity will be enhanced both by retaining experienced employees in the workforce and by using part-timers who are generally more productive than full time employees;

(4) The enhanced physical and mental health of older workers will mean a smaller outlay of health care dollars from

individuals, private insurance companies, or government programs;

(5) Greater emphasis on voluntary part-time employment would increase employment options. Since younger as well as older workers want more opportunities for part-time employment, the net effect will be job creation. This is not a program for "sharing unemployment".

CURRENT PUBLIC POLICIES TO BE REVIEWED

Several in-place tax systems make it economically irrational for employers and/or employees to choose part-time employment:

(1) Unemployment Insurance Tax. The low taxable wage base of $6,000 -- which is uniform for most states -- makes it more expensive to employ part-time workers. For example, it is more costly to the employer to hire two part-timers, each earning $6,000, than to hire one employee earning $12,000;

(2) Unemployment Benefits. Although employers contribute to unemployment funds for all workers, in many states a worker is only eligible to collect benefits if he/she is seeking a full-time job. The National Commission on Unemployment Compensation, after a thorough review of federal and state unemployment compensation programs, recommends that state laws should not disqualify an individual with a recent record of steady, part-time employment. Nor, says the Commission, should state policy interpret job search and suitable work in terms of full time only;

(3) Social Security Earnings Test. In high cost-of-living and wage areas of the country, the $6,000 (1982) earnings test is a major problem for social security recipients who earn more than $6,000. This test provides that for every $2.00 in wages earned, the recipient loses $1.00 in benefits -- effectively cutting the wage rate in half. This earnings test does not apply to income from other sources, i.e., pensions, annuities, interest, dividends. Working 25 hours per week, $6,000 will be earned by anyone whose wage is $4.62 an hour;

(4) Computing Retirement Benefits. Although formulas for computing retirement benefits vary, most are based on either the worker's last (X) number of years, or the highest-paid (X) number of years with the organization.

This inflexible formula, which does not allow for inflation, makes older workers extremely unwilling to phase down the number of hours worked and salaries received

during their last years. Phasing down would mean substantially reduced pensions once they retire.

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Older Americans as A Growing National Resource
Employment
Creating an Age Integrated Society: Implications for Societal Institutions
Creating an Age Integrated Society: Implications for the Economy
Creating an Age Integrated Society: Implications for the Educational Systems
Creating an Age Integrated Society: Implications for Spiritual Well-Being
Creating an Age Integrated Society: Implications for the Family
Creating an Age Integrated Society: Implications for the Media
Creating an Age Integrated Society: Implications for Governmental Structures
Research in Aging

Experts from various fields were appointed by the Secretary of Health and Human Services to serve on 16 Technical Committees, each charged with developing issues and recommendations in a particular area for consideration as background material for the delegates to the 1981 White House Conference on Aging.

the 1981
White House
Conference
on
Aging

Executive Summary of Technical Committee on EMPLOYMENT

TCES-6

NOTE: The recommendations of this document are not recommendations of the 1981 White House Conference on Aging, or the Department of Health and Human Services. This document was prepared for the consideration of the Conference delegates. The delegates will develop their recommendations through the processes of their national meeting in late 1981.

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I. INTRODUCTION

The Technical Committee on Employment, as a result of its deliberations, asserts that a sound, long-term national economic policy requires the incorporation of a clearly enunciated policy on extended worklife. The trend of demographic change within American society, the expected rise in the ratio of retired to employed adults, and the increasing demands on both public and private retirement income resources in the longer term dictate such a policy. In both the public and private sectors, current employment policies, are contradictory in regard to the desirability of extended worklife in the face of strong benefit incentives for early retirement. Current perceptions by many employers and, often, the general public, tend to misrepresent the contribution of middle-aged and older workers to the economic life of the nation. Vocational, educational and manpower services and resources have historically been disproportionally directed to the needs of young workers, to the detriment of the interests of older workers in general and to such specific older labor force groups as displaced homemakers, minority group persons, and technical and professional personnel. Based on these and related conclusions, the Committee strongly argues for a national policy that responds positively to the employment needs of older workers. Such a policy must implement age-neutral hiring, employment and training standards and utilize the skills of workers of all ages efficiently, creatively and equitably. The adoption of such a policy is critical to the continued advancement of national economic and social well-being.

II. MAJOR FINDINGS

In calling for the formulation and implementation of a national policy on extended worklife, the Committee finds that a central value which must shape such a policy is the individual's right to continue to work or not to work at any age. That right is held to be a civil right conferred on the citizens of the nation. This civil right requires that the decision of a worker to work or retire, to enter or reenter the labor force or to remain in

the labor force on a part-time, sporadic or other flexible basis, must be voluntary and free of non-functional, chronological age constraints. The Committtee asserts that there is no "normal" or intrinsically desireable retirement age and that public and private employment policies should support the right of workers,(and their employers and unions through collective bargaining) to determine and use reasonable methods to extend their worklives. The Committee is well aware that there are many factors limiting the options of workers to continue work beyond the so-called normal retirement age. Factors such as health status, inflation, personal and family economic and social need, employment conditions, skill levels and general economic conditions can affect and, in fact, determine one's employment choices. However, the Committee finds that there are other forces that impact on employment decisions almost as powerfully as personal health, family demands and general economic conditions. These constraints are found embedded in public and private retirement benefit formulations and in the nation's tax policies. They include myths regarding age-related productivity, management's inablility or unwillingness to apply new technologies to the work needs of older persons, and political and social paralysis in the face of pressures of major population groups competing for new or enhanced positions in the labor force. The Committee asserts that identifying, and reducing these impediments, harmonizing competing social and political interests, clarifying the facts regarding productivity and age, adapting technological work changes to the needs of mature workers and assuring concordance between retirement and employment policies are prime goals of a national policy on older workers and extended worklife.

During the 1980s and well into the next century, one of the major public policy issues will be the adequate financing of both public and private retirement income programs. In recent decades, relatively high rates of real economic growth have permitted increases in benefit levels and expanded eligibility under such programs. In many cases, retirement programs have been used as major incentives to induce early retirement and labor force turn-over. Both labor and management too often have agreed that "early out" pension benefit provisions of collective bargaining can deal with unemployment and automation when better approaches could be considered.

However, the more pessimistic economic outlook for the short-term future, projections for the continued decline in the birth-rate and increasing numbers of retirees have stimulated calls for a fundamental reevaluation of national retirement policies. The Committee notes, for example, that the President°s Commission on Pension Policy and the 1979 Advisory Council on Social Security have recommended raising, by three years,the minimum age of eligibility for some Social Security benefits over the coming decades. Several other federal agencies are studying downward modifications of the cost-of-living indexing formulas. State and local public jurisdictions are expressing alarm over the increasing obligations of public pension systems given declining tax revenues and public resistance to tax increases.

Some private pension benefit levels are pegged to Social Security benefits and will be directly affected by changes in Social Security benefits or eligibility age. In short, both public and related private retirement policies appear to be undergoing radical revision without examination of one of the prime solutions to funding shortfalls: an extended worklife.

It is the Committee's conviction that consideration of reducing Social Security benefits either by increasing the eligibility age or changing the cost-of-living adjustment process should be initiated only on the basis of a comprehensive and publicly aired analysis of the alternatives. These alternatives should include the adoption of a national policy on older workers which highlights voluntary, trade union, worker and management approaches to extended worklife. Indeed, it is the Committee's finding that the projected funding short-fall of Social Security and public and private pension systems results, in large part, from the lack of an implemented policy which could have stimulated an extended worklife for significant portions of the workforce over the past decades.

There is every reason to believe that the application of such a policy in the short term future will--in large measure--resecure the vitality and financial viability of the nation's pension systems. The Committee therefore opposes any consideration of steps by the Congress or the Administration to defer Social Security benefits or to change indexing provisions without first adopting and implementing such a policy. Enlarging voluntary opportunities to expand and extend worklife for older workers provides an efficient and equitable way to protect income resources while meeting essential social and economic needs.

The recommendations of the Technical Committee on Employment admittedly do not constitute a full national policy on older workers and extended worklife. The Committee does not presume to provide a blueprint for such a policy. It recognizes that a full consideration of the components of the policy is beyond the scope of the Committee's mission and resources. Rather, the Committee proposes steps critical to the design of a policy that should be initiated and implemented over the next five years. It is the Committee's hope that delegates to the WHCoA can form a consensus on the recommendations.

The Committee also anticipates a number of important public policy developments which it supports and forsees as being implemented in the near future and which complement its recommendations.

These developments include the following:

1. The immediate Congressional outlawing of mandatory retirement and age-related "bona fide occupational qualifications" now permitted under the Age Discrimination in Employment Act.

2. An acceleration of developments in the educational and training field through which publicly-supported educational institutions, from vocational high schools to universities, become more responsive to the needs of workers of all ages to enhance their capabilities, acquire new skills and be able to re-enter the work force, or continue to work, at any age.

3. The continued growth of public and private employee retirement preparation programs and services which will increasingly include information on options for continued employment in new occupations, part-time jobs, self-employment opportunities or opportunities for service in voluntary organizations.

4. The continued expansion of efforts by private, voluntary and non-profit organizations to provide specialized training and employment services to middle-aged and older workers.

III. KEY PRINCIPLES

The Committee recognizes certain principles that must underlie any national policy on extended worklife and which permeate the Committee's recommendations. These values are applicable to the needs and rights of workers of all ages seeking both the opportunity to make a living and the ability to make useful contributions to society through employment.

1. An economic system exists for the members of the society; not the reverse.

2. Economic productivity is enhanced by age-neutral employment practices.

3. Decisions to work or retire should not be constrained by chronological age factors; the right to extend one's worklife to later years or to decide to not work is a civil right.

4. Collective bargaining has a vital function in the development and execution of a national policy on older workers.

5. National, state and local governments should participate fully in the development of a national policy through such actions as prohibiting mandatory retirement, promoting and financing middle-aged and older worker training and employment programs and in designing Social Security and public retirement programs to complement and extend worklife.

6. Employers have the right to expect competent job perfor-

mance from workers of all ages.

7. American society must continually reasses national retirement and employment policies reflecting changing demographic, technological, social and economic developments within the context of the principles of social and economic justice. Such assessments should be the result of collaborative efforts of the public and the private sectors.

IV. RECOMMENDATIONS

The Committee believes that this nation should fashion an economy and a labor market policy that is age-neutral and that efficiently, creatively, humanely, and equitably uses the skills, energies and work attitudes of older workers. Such a policy should involve implementation by both the public and private sectors. While the policy should be consistent with the economic realities of the coming decades, it should be equally consistent with the goals of equity and justice and include a vision of an American society which is age-neutral in work places as well as in our homes, our communities and institutions.

Specifically, the Committee recommends:

1. The Federal Government, in cooperation with state and local governments and the private sector, should immediately initiate a comprehensive review of public tax policies to eliminate barriers to employment and to encourage wider employment opportunities for older persons.

2. The Age Discrimination in Employment Act and related laws should be amended to provide for full actuarial adjustments of private pension plans and full employer contributions for fringe benefits for persons who work beyond a pensions's normal retirement age or beyond age 65. There should be no differential in employer benefit contributions based on age.

3. Management and labor--through collective bargaining--should support increased opportunities for flexible work arrangements such as part-time work with proportional fringe benefits, shared jobs, educational benefits to train for second careers and other accommodations which extend worklife for older workers. The Congress should amend the National Labor Relations Act to include extended worklife as a goal of collective bargaining.

4. The Comprehensive Employment and Training Act (CETA) and other publicly supported training, vocational education and manpower programs and services, including the U.S. Employment Service, should be held specifically

accountable by the Congress by the year 1983 for equitable assistance to all age groups or face sanctions. At the same time the Title V (Older Americans Act as amended), Senior Community Employment Program should be supported and expanded having proven its utility and flexibility in employing the skills and energies of thousands of older citizens, especially minority and low income older persons.

5. The Federal government and the private sector promptly should undertake a major research and dissemination effort to accomplish the following objectives by 1985:

   a. Develop, test and implement a utilization strategy for age-neutral occupational performance appraisal tools and corresponding personal functional capacity measures for application to a wide range of current and expanding occupational categories.

   b. Investigate the comparative costs and productivity of various age groups in diverse jobs in the work force, including better methods of assessing the value of mature skills.

   c. Gather and synthesize facts related to the skills, experience, attitudes and productivity of middle-aged and older workers and disseminate such facts to employers and widely to the general public through the media.

6. Middle-aged and older workers should be encouraged and assisted to prepare to enter new careers, especially when unemployed or facing unemployment in declining industries or occupations. A "Second Career Sabbatical" could be financed through changes in unemployment insurance statutes and targeted to persons 45 and older; it could provide for up to a year of full-time education and re-training. Other arrangements could involve part-time work, together with unemployment insurance payments or cash advances against future pension entitlements for employed persons. To be successful, the program will require strong collective bargaining support, widespread participation by schools and colleges, and, probably, support through a government-related transitional employment program.

CONCLUSION

The Committee recognizes that the policy called for here constitues a framework within which programs can be developed that are mutually supportive of widening employment opportunities for all Americans. We believe that with appropriate fiscal, monetary and productivity conditions, the marketplace can provide nearly all the necessary

jobs for those who desire to work. But we also believe that the government has an obligation to be an "employer of last resort" if that marketplace does not provide the job needed. With countless socially-valuable services to be rendered and with thousands of willing and competent workers available, these needs and resources can be brought together, the economy strengthened, and individuals with time, energy, skill, experience, and a willingness to continue to be of service can be gainfully employed. To do less is to miss a tremendous opportunity--for one and for all.

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